Gallup Pakistan Analysis of World Bank Enterprise Survey

Trade – World Bank Enterprise Survey 2022

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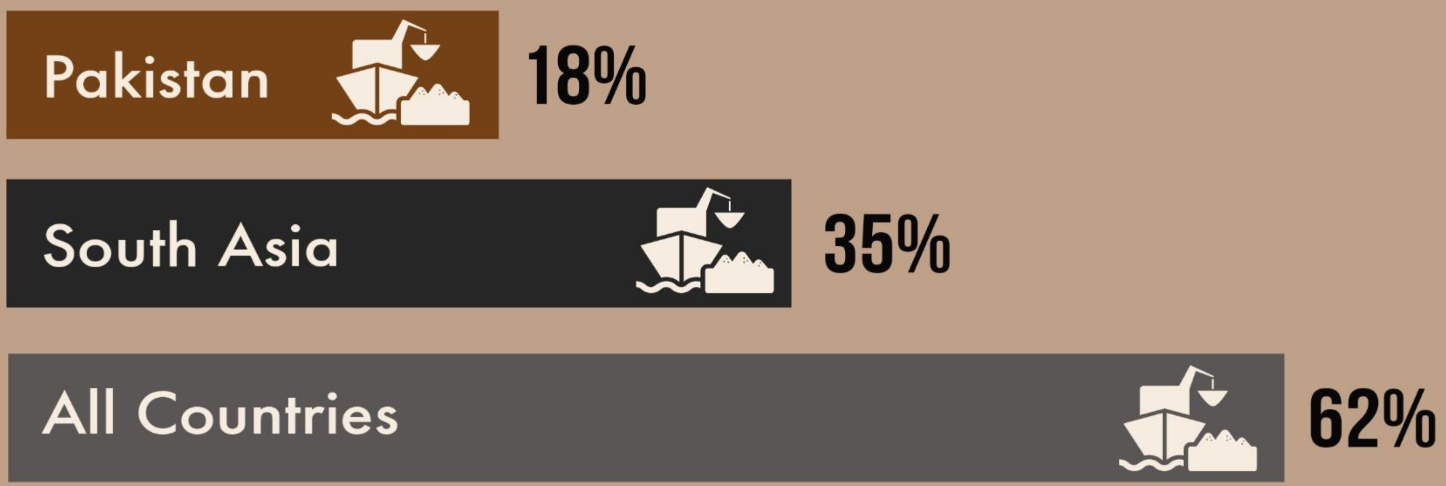
Firms using inputs of foreign origin:



Only 18% Pakistani firms import inputs from abroad, three times less than the global figure (62%).

15%

15% of Pakistani firms identify customs and trade regulations as a major constraint.

5% of the sales from Pakistan are exported directly. This is higher than South Asia's 4%.

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Source: World Bank Enterprise Survey; analyzed by Gallup Pakistan

PRESS RELEASE

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Only 18% Pakistani firms import inputs from abroad, three times less than the global figure (62%) – **Trade – World Bank Enterprise Survey 2022**

Islamabad, July 11, 2023

Gallup Pakistan, as part of its Big Data Analysis initiative, is looking at Business Environment Obstacles (2022). This data is part of a publication by the World Bank called the 'Enterprise Survey 2022'.

The complete Enterprise Survey 2022 is available HERE.

Gallup Pakistan has not conducted the survey work. We are only analyzing the publicly disclosed data and reports provided by World Bank. This is a public service activity done on individual initiative of Gallup Pakistan and not in any way endorsed or commissioned or supported by WB or its agents.

What is the Big Data Analysis Series by Gallup:

Gallup Pakistan's Big Data series was started by Bilal I Gilani, Executive Director of Gallup Pakistan. Bilal explains the rationale of the series: "The usual complaint from academics and policy makers is that Pakistan does not have data availability. Our experience negates that. Pakistan has lots of data, but it is not available in a usable form and not widely accessible. At Gallup we plan to bridge this gap in terms of accessibility and use of data. The Gallup Big Data series has earlier worked with data sets such as PSLM, Labor Force Survey, and Economic Survey reports as well as National Census Reports and Election Commission Data sets. The current series is using the World Bank Enterprise Survey, a periodic compilation which reports facts and perceptions of enterprises and businesses operating in Pakistan. We hope that these series are useful, and we welcome both feedback as well as possible collaborations as we create a public good in the form of useful data sets in Pakistan.

What data points this current edition covers:

This series aims to present the important learnings from the Enterprise Survey 2022 for policy makers, the public, as well as for marketers in an easy and understandable way. In particular, this edition looks at International Trade as of 2022. Identifying and quantifying the operational constraints faced when exporting and importing can aid policy making in a way that benefits traders and enables them to expand and raise their standards. The series' main aim is to provide data. Implications of these data points for the development sector as well as wider socio-political ramifications is something we would like to trigger in relevant circles.

Today's topic is "Trade (2022)"

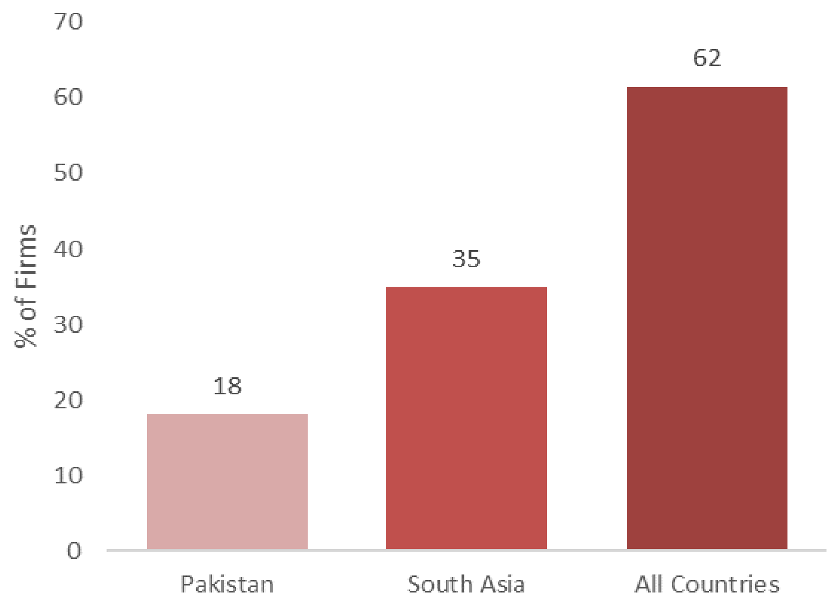
Key Findings:

1. **Firms using inputs of foreign origin:** Only 18% Pakistani firms import inputs from abroad, three times less than the global figure (62%).
2. **Major constraint in trade:** 15% of Pakistani firms identify customs and trade regulations as a major constraint.
3. **Proportion of total sales that are exported directly:** 5% of the sales from Pakistan are exported directly. This is higher than South Asia's 4%.

1. Firms using inputs of foreign origin

Only 18% Pakistani firms import inputs from abroad, three times less than the global figure (62%). More South Asian firms import inputs compared to Pakistani firms as well, at 35%. While importing could be a double-edged sword in terms of trade and the balance of payment, importing supplies or inputs from foreign countries can contribute to enhancing exports by improving productivity, especially in the case of manufacturing and IT related firms.

Figure 1: Percent of firms using material inputs and/or supplies of foreign origin

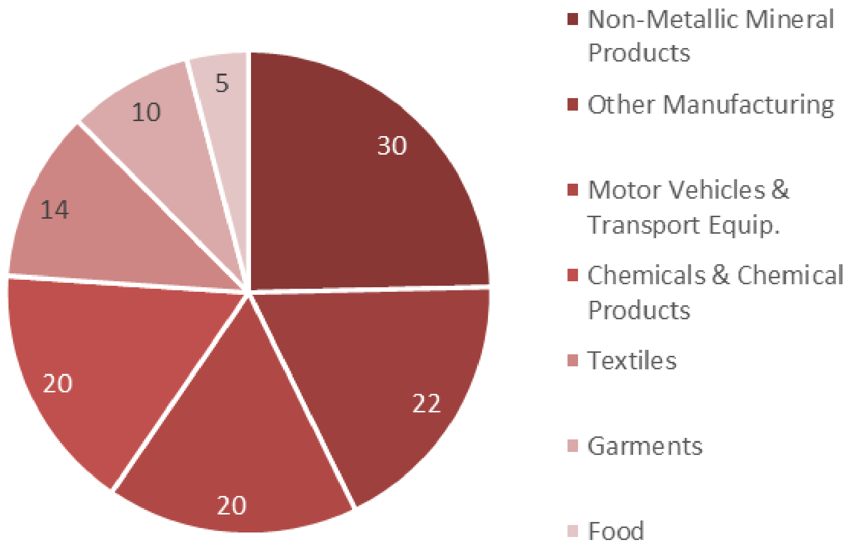


Source: World Bank Enterprise Survey; analyzed by Gallup Pakistan

The bulk of input imports in Pakistan is made up by the manufacturing sector, with 18% of manufacturing firms importing material or supplies from foreign countries; only 8% from the services sector do so. Within the manufacturing sector, firms in the non-metallic mineral product business make up the majority of the exporters, with 30% of them importing inputs from abroad. They are followed by companies in the motor vehicles and transport equipment industry with 20% of them importing inputs, along with the chemical and chemical products industry where 14% of the firms import their supplies.

Businesses in the chemical and mineral industries could benefit from importing supplies and inputs if doing so would help them create higher quality products, or enable them to increase their productivity. With better quality final products made using the imported inputs, it would be possible for these firms to export more of their output, thus contributing to the balance of payment. However, if the imports are not adding a lot of value to the final goods, then a high number could be detrimental and may not have the desired impact.

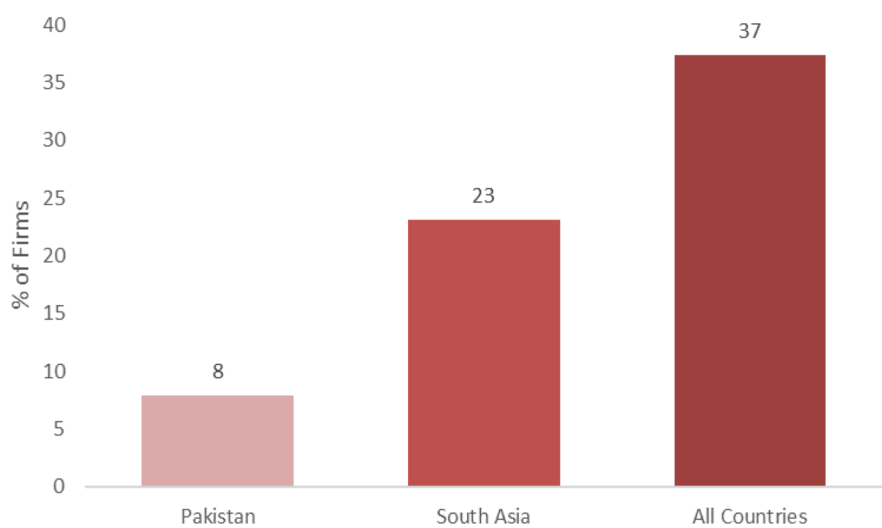
Figure 2: Percent of firms importing inputs - breakdown of manufacturing sector



Source: World Bank Enterprise Survey; analyzed by Gallup Pakistan

Of the 18% Pakistani firms that import inputs or supplies, there are only 8% of total inputs that are of foreign origin. This implies that these firms may only be importing smaller quantities or specific types of inputs. The proportion of imported inputs is almost three times as high for South Asia at 23%, and 4.5 times higher for the world at 37%. If import of material that can add value to finished products and contribute to exports is encouraged, an increase in imports could end up being beneficial for the economy in the long run. Importing technology and machinery are also one-time investments with long-term operational and economic benefits.

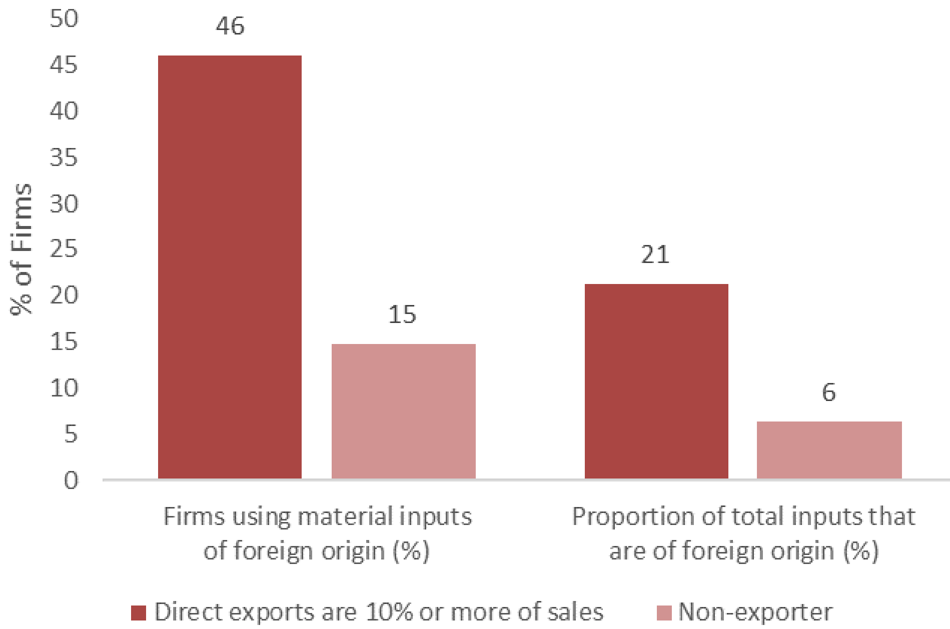
Figure 3: Proportion of total inputs that are of foreign origin (%)



Source: World Bank Enterprise Survey; analyzed by Gallup Pakistan

Another important insight for Pakistan that the Enterprise Survey reveals is that it is, by a very large margin, firms that are exporters that also import material inputs of foreign origin. They make up 46% of the surveyed firms, which is three times more than non-exporting firms (15%). Similarly, firms that are themselves exporters also have 21% of total inputs that are of foreign origin, compared to non-exporters where only 6% of total inputs are imported. This may be due to the quality assurance protocols that exporting firms have to adhere to; inputs may have been imported to increase the quality of the products.

Figure 4: Firms' input importing behavior based on exporter type



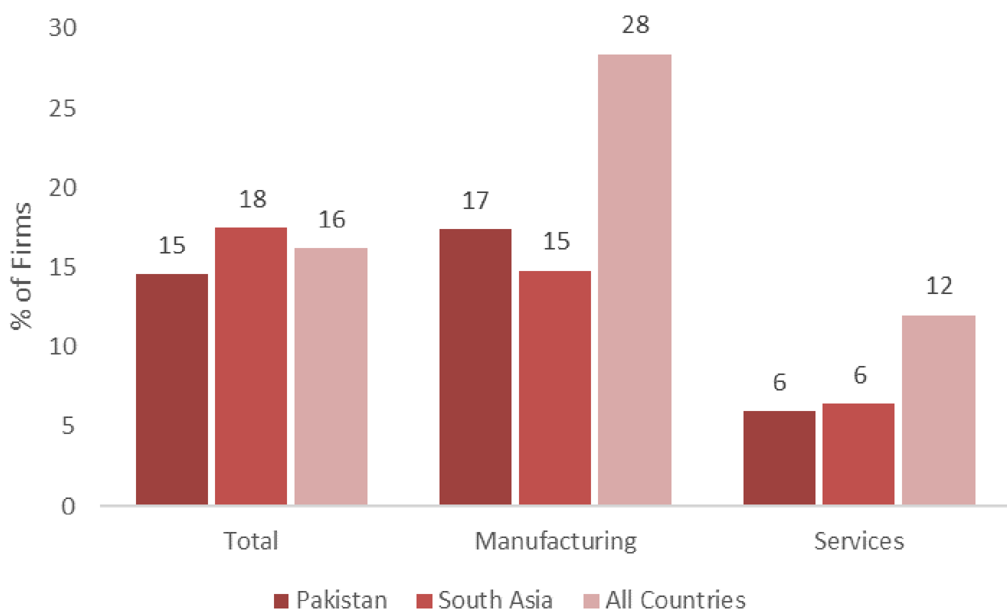
Source: World Bank Enterprise Survey; analyzed by Gallup Pakistan

2. Major constraint in trade

15% of Pakistani firms identify customs and trade regulations as a major constraint. A vast majority within these are manufacturing firms, making up 17% of the total. Bringing this number down is the services sector, only 6% of whom consider customs and regulations a big problem. South Asia and the world follow a similar pattern, with a large number of manufacturing firms considering this a significant constraint, while not a lot of firms in the services sector share this view.

For South Asia, a total 18% of firms are unhappy with customs and trade regulations; 15% of them are manufacturing firms while 6% are from the industries in the service sector. For the world as a whole, almost double the amount of firms (28%) in the manufacturing sector think of customs and trade regulations as a major constraint, while only 12% in the services sector are of a similar point of view. One explanation for this dissatisfaction could be due to the nature of exports - manufacturing firms trade goods and products which could take longer to get through customs, compared to the services sector which deals with human resources. It not only would have a different impact on customs and trade regulations, but a lot of IT companies, for example, can also operate remotely without having to cross borders in the first place.

Figure 5: Percent of firms identifying customs and trade regulations as a major constraint - by sector



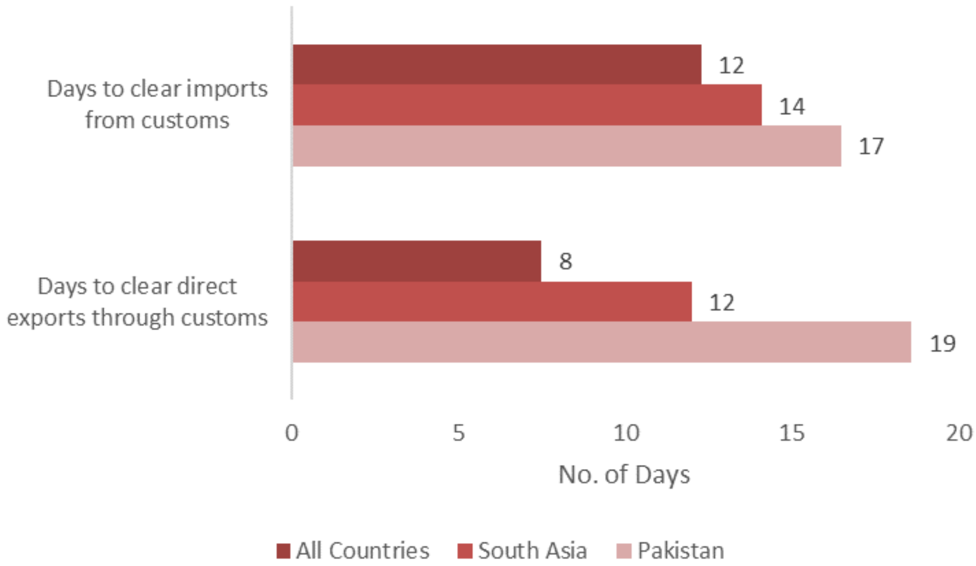
Source: World Bank Enterprise Survey; analyzed by Gallup Pakistan

Perhaps an explanation of the dissatisfaction of businesses with customs and trade regulations can be sought by looking at how many days it takes customs to clear imports and exports on average. Pakistani firms face longer waiting periods for both clearing imports and exports, compared not only to South Asia but also the rest of the world. It takes 17 days for customs to clear imports, compared to the 14 of South Asia and 12 of the world; this means that between Pakistan and the world as a whole, it takes Pakistani customs one additional work week (assuming one work week is five days long) to clear imports.

The time taken by customs to clear exports for Pakistan is 19 days, even more than that taken to clear imports. While this duration has increased for Pakistan, it has decreased for South Asia and the world as a whole. In South Asia, getting exports cleared by customs only takes 12 days, and even less globally at 8 days. The difference of 11 days between Pakistan and the global average could be slowing down operations and impact the earnings from exports, along with utilization of the imports that are needed urgently as raw materials or essential inputs.

Cutting down the number of days taken to clear imports and exports could prove beneficial by making trade more efficient and encouraging a greater number of businesses to partake in it. Especially for the businesses that are exporters of non-durable, perishable goods, a decrease in the waiting time could be good for business and consequently the economy.

Figure 6: Days taken to clear imports and exports through customs



Source: World Bank Enterprise Survey; analyzed by Gallup Pakistan

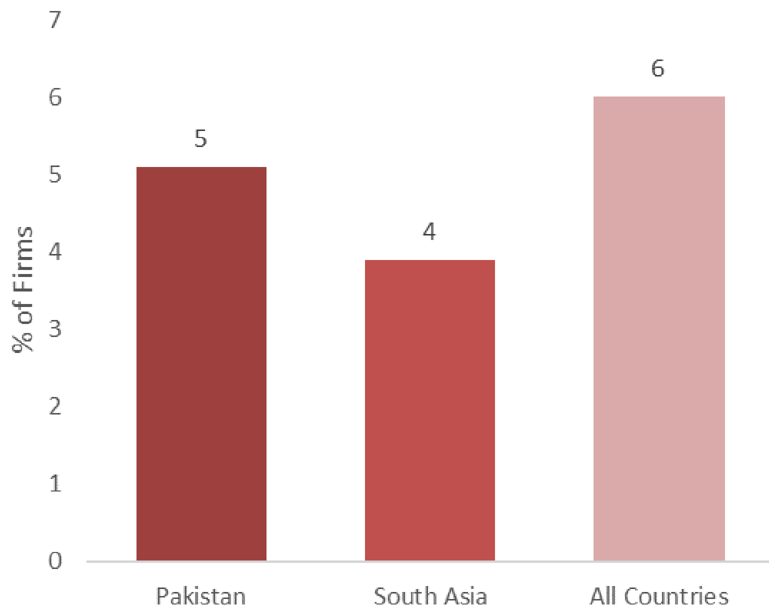
3. Proportion of total sales that are exported directly

5% of the sales from Pakistan are exported directly. This is higher than South Asia's 4%; the global proportion of sales that is exported is 6%, a little higher than Pakistan's. This implies a tendency for Pakistan's products to get exported directly, and a willingness of the global market to purchase them. In order to capitalize on these indications, it would be useful to make exporting an easier and smoother process from a legislative point of view.

It is also important to note that the figures revealed in the survey could vary after adding the imports and exports of the agricultural sector to them. For instance, agricultural products might be easier to export due to their perishable nature, but delays could arise because of quality control problems. Similarly, there could be a larger proportion of some agricultural outputs, like cotton and fruits, larger proportions of which are exported, driving the final proportion upwards.

Even while only considering the manufacturing and services sector, further room for growth in terms of international trade can be identified, which can then be facilitated by policy and on a diplomatic level by reducing red tape measures and making the process simpler. This will also remove a major constraint from a large portion of businesses, which could as a result operate more freely in the international market.

Figure 7: Proportion of total sales that are exported directly



Source: World Bank Enterprise Survey; analyzed by Gallup Pakistan

Wish to Contribute to Gallup Big Data Analysis?

Gallup Pakistan is looking for collaboration with researchers to expand the Big Data Analysis project. If you have any ideas, please write to Bilal I Gilani, Project Director, Big Data Analysis at Gallup Pakistan.

Wish to know more about the Enterprise Survey 2022?

The Enterprise Surveys (ES) focus on many aspects of the business environment. These factors can be accommodating or constraining for firms and play an important role in whether an economy's private sector will thrive or not. An accommodating business environment is one that encourages firms to operate efficiently. Such conditions strengthen incentives for firms to innovate and to increase productivity — key factors for sustainable development. A more productive private sector, in turn, expands employment and contributes taxes necessary for public investment in health, education, and other services. Questions contained in the ES aim at covering most of the topics mentioned above. The topics include infrastructure, trade, finance, regulations, taxes and business licensing, corruption, crime and informality, access to finance, innovation, labor, and perceptions about obstacles to doing business.

The ES are repeated approximately every four years for a particular economy (or region). By tracking changes in the business environment, policymakers and researchers can look at the effects of policy and regulatory reforms on firm performance. Repeated surveys aid in studying the evolution of the business environment and how it affects the dynamics of the private sector.

You can find more information on the Enterprise Survey, and complete tables, on

www.worldbank.org

Or visit:

Enterprise Surveys 2022

Disclaimer: *The views and inferences expressed in the article are that of the author himself and Gallup Pakistan does not take any responsibility in this regard. This series, and many such initiatives, are internally funded by Gallup Pakistan and Gilani Research Foundation. No outside country or local funding has been received for this current activity.*

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